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LEGISLATIVE INTERIM COMMITTEE
ON
CHILDREN, FAMILIES, HEALTH AND HUMAN SERVICES

MEDICAID SERVICE PROVIDER RATES

January 20, 2012

The Montana Health Care Association represents long term care facilities such as nursing homes, assisted living communities and personal care agencies throughout the state of Montana. We offer the following information for the committee's consideration as it monitors Medicaid and looks at the issue of Medicaid service provider rates.

NURSING HOMES

Who we serve – the most frail and needy older Montanans. Montana's nursing homes provide care to our most vulnerable elderly - people who can no longer care for themselves. When even the most loving families find it impossible to deal with the extreme physical and mental disabilities of their loved ones, they come to us for help. Because of their many needs, these individuals require 24-hour care and are not candidates for other less intense services. Normally, these individuals have used all of their savings paying for their care, have sold their homes and have otherwise impoverished themselves. Any income, including their social security checks, are applied to the cost of their care. They get to keep \$50 per month to meet any personal needs they may have such as shoes, clothing, hair cuts and the like. These are people who have worked hard all their lives, paid taxes and contributed to their communities, but now they are old and sick and need our help.

The role of Medicaid in nursing homes - 60% of our customers are on Medicaid. The state of Montana - through the Medicaid program - has taken on the responsibility of paying for the care of those who cannot afford their own care. Over 60% of the people in our nursing homes are on Medicaid. Because so many of those we care for are on Medicaid, and because the state has accepted responsibility for those on Medicaid, the state is our partner in assuring that these people get good care. Our ability to hire enough staff and to pay them a living wage, as well as our ability to pay our other expenses, is all dependent on whether the state pays us enough to get the job done.

Impact of inflation - what happens when Medicaid fails to recognize our cost increases? We are experiencing large increases in the cost of food, medical supplies, utilities, health insurance, liability insurance, labor and basic every day necessities. Our facilities are struggling. Some have reduced hours and staff, frozen wages, or taken other steps to reduce costs - steps that also reduce care. Some have increased the rates of those who pay for their own care, and some have asked local taxpayers to provide additional support. The cost increases we are experiencing are real and do not disappear because the legislature doesn't provide adequate funding.

Medicaid rates are significantly less than the cost of providing care. The current average rate paid to a nursing facility is \$161.92 for each day of care while the current average cost is about \$180.00 for each day of

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Exhibit 17

care. On average, nursing homes currently lose about \$18 per day of care provided to Medicaid beneficiaries. Nursing home rates were cut 2% effective July 1, 2011.

Direct care wage increases have been specifically funded by the legislature. Nursing homes have worked hard, with help from the legislature in the form of funds directed to wages, to improve wages to our direct care workers and to distance their wage rates from the minimum wage. This is necessary to attract needed staff, particularly CNA's. Our workers provide the most basic and intimate types of care to residents no longer able to do them for themselves. They tend to their personal hygiene needs as well as other physical, emotional and spiritual needs - often taking the place of absent family. This work can be back-breaking and physically and emotionally draining. To attract well-qualified people to this work we must place value on it through the wages we pay.

The 2009 legislature appropriated about \$10M over the 2011 biennium to be used for wages and/or lump sum payments to nursing home workers. The funding was OTO (one time only) but there can be no doubt that the workers who received it used it the way they would use any other compensation. This money was not included in the Governor's budget for the 2013 biennium but was added by the legislature. However, the Governor's amendments to HB 2 reduced the appropriation by about 40% which means these workers will in effect earn \$4M less over the current biennium than they did last biennium. This does not include wage cuts that may be occurring due to the 2% cuts to the rates paid to the facilities that employ these people.

The state of Montana General Fund pays only about 18.7% of the cost of nursing home care. For most Medicaid services, the state pays about 33% of the cost. For nursing homes, it is substantially less because of two factors: (1) the patient pays a considerable portion because all but \$50 per month of their income is used to pay for their own care; and (2) nursing homes pay a utilization fee (or bed tax) of \$8.30 per day on all patient days (not just Medicaid) which raises considerable revenue to use as state match instead of using state general funds.

TOTAL AVERAGE RATE \$161.92

Paid by patient	30.40	(18.8%)
Paid by bed tax on nursing homes	14.14	(8.7%)
Paid by State	30.33	(18.7%)
Paid by Federal government	87.05	(53.8%)

Nursing homes pay a "bed tax" to help fund nursing home care. Nursing homes pay a provider tax to help fund Medicaid rates. Total provider tax paid by nursing homes amounts to about \$14.6 M annually. This money is used - instead of other state general funds or special funds - to match federal funds used to reimburse nursing homes. Nursing homes have paid this tax since 1992 to help assure the adequacy of Medicaid reimbursement rates.

Counties with nursing homes also help fund Medicaid rates for nursing homes through the intergovernmental transfer (IGT) program. Counties provide funding to the state and the funds are used to match with federal funds to enhance Medicaid payments to nursing homes. About \$800,000 of funding from the IGT program are diverted from the lump sum payments to nursing homes and are used instead to support the base rates in the nursing home and community services programs. Changes at the federal level have reduced this program to a point where it is difficult for some counties to fully participate. Since the federal changes, this program has provided about \$5 per patient day to county facilities and about \$2 per patient day to non-county facilities - as lump sum payments. That amount increased for the current fiscal year to \$12.50 and \$5.50, but we are not certain those levels can be sustained. Funding to nursing homes would be greater if funding

wasn't being diverted to other programs.

The state knows what it takes to operate a nursing home that provides high quality of care. The state operates a nursing home in Columbia Falls. The budget for that facility has been increased to account for increased costs and the need for more staff to care for patients whose care needs continue to increase. The state is doing the right thing in that facility - they are providing excellent care. But, the state is currently spending over \$300 per day of care in its own nursing home, while asking other nursing homes to do the job for \$162 per day. The 2011 legislature provided an inflationary increase to MVH of about \$10 per patient day, while cutting the per diem to other nursing homes.

State agencies receive inflationary increases as part of "current level". Government agencies receive inflationary increases as part of "current level" - to account for cost increases they know are coming - while those of us in the private sector have nothing for inflation in our current level appropriations.

HOME AND COMMUNITY BASED SERVICES (HCBS)

Medicaid home and community based services generally fall under two categories: (1) services provided under the HCBS Medicaid Waiver, and (2) services provided under regular Medicaid.

Services provided under the waiver are not "entitlements", so access can be limited by the amount of money appropriated by the legislature. Thus, there is a waiting list of about 400 people waiting for services. Long term care services under the waiver include:

Adult Residential - Assisted Living
In-home waiver services

Services provided under regular Medicaid are "entitlements" so all individuals who meet the eligibility requirements must be served. In-home services under regular Medicaid include:

Personal Assistance Services

ADULT RESIDENTIAL - ASSISTED LIVING (under waiver)

Assisted Living Facilities. There are about 200 licensed assisted living facilities in Montana, serving elderly and disabled individuals who need assistance and are unable to stay in their own homes. Their needs are such that they don't require the more medically complex services offered in nursing homes.

Medicaid. Most individuals in assisted living facilities pay for their own care. However, assisted living facilities serve about 600 Medicaid beneficiaries under the Medicaid HCBS waiver program. The Medicaid rates paid to assisted living facilities are so low that the facilities routinely limit the number of Medicaid residents they are willing to take. DPHHS and the legislature have stressed the importance of serving individuals in settings other than nursing homes through the home and community based waiver program - when the individual does not require the more intense services of a nursing home. The state has even implemented a "nursing home transition" program for individuals in nursing homes whose condition would allow them leave the nursing home if other appropriate services are available.

Nearly half of the people on the waiting list for HCBS and many of those who move to community based settings through the nursing home transition program need assisted living services - yet there are access

problems because of the low Medicaid rates. Despite the problems waiver clients have in accessing assisted living services - largely because of poor Medicaid payment - the rates paid to assisted living facilities were cut by 2% effective July 1, 2011.

IN HOME SERVICES

In-home personal assistance services (entitlement). The Personal Assistance Services program serves elderly and disabled individuals who need help with activities of daily living but are able to remain at home with assistance. The program pays only for medically necessary maintenance and supportive care, such as bathing, transferring, feeding, grooming, toileting, medication reminders, limited homemaking tasks, assistance shopping for essential items, and escort to Medicaid reimbursable health care services. The upper limit is 40 hours of assistance per week. About 3,200 people received personal assistance services in FY 2010.

In home services under the waiver. In-home services under the waiver serve elderly and disabled individuals who need assistance but are able to live at home. The waiver can provide services that are not covered under regular Medicaid personal assistance. Often individuals receive medically necessary services under the personal assistance program (an entitlement) and then receive additional services under the waiver. Some individuals need only services not covered under the personal assistance program. Services include case management, homemaker, medical alert monitor, meals, transportation, environmental modifications, adult day care, respite, habilitation, and personal care. In FY 2010 about 1800 people accessed in-home services under the waiver.

Medicaid. The agencies who provide these services serve mostly Medicaid clients. Medicaid rates are low, and were cut 2% on July 1, 2011. Without the special payments provided for health care insurance for these workers and the direct care worker wage funding that has been provided, access to these services would be jeopardized. Even with this additional funding, agencies are having difficulty hiring and retaining care givers.

We regret we were unable to attend this meeting but thank you for your interest in monitoring issues related to Medicaid and particularly the effect of Medicaid rates on services to those in need and those who provide the services. I would be happy to answer any questions or provide additional information.

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